Joint Committee of Public Accounts and Audit

Inquiry into the use and governance of artificial intelligence systems by public sector entities

Department of Finance

Response to Question on Notice

Hearing of 15 November 2024

Question on Notice 1

Senator REYNOLDS: Could I perhaps get AGD and the other agencies to take this question about bias driven by data and also in the algorithms, internally and also third party, in terms of how your data analysts are reviewing this? There are so many people writing this, not just here in Australia. It's also now being reported in terms of the data that people who write this are using, so they bring their own cultural assumptions. If they're using data that they've harvested from across South-East Asia, how relevant is that to make assumptions and decisions here against an Australian population, for example? If you and the other agencies could take that one on notice, I think we'd be very interested about how you deal with that. The other issue is: how do Australians know, if it's an image, decision or letter, that some of it has been generated by AI? This is not just an issue for government agencies but if you could respond on notice about ways that people could be informed about what part or element has been generated by AI. It may not be so much of an issue today, from what you're saying, but how do we consider that going forward, as this occurs more and more?
 CHAIR: Thank you—if everyone could make a note of that.

Response

Department of Finance (Finance) has training and guidance on the use of Generative AI including the safe, ethical and responsible use of AI tools available in Finance. This advice outlines the risks of using generative AI in a government context and requires staff (both APS and third-party contractors working in Finance) to:

- Only use AI-generated content as a starting point and be cautious of biases and inaccuracies, and

- Fact-check all AI-generated outputs using reliable sources, recognise potential bias in AI training data, and seek diverse viewpoints to minimise bias in AI output.

Finance's advice is consistent with, and should be considered in conjunction with:

- the Digital Transformation Agency's Policy for the responsible use of AI in government,

- Finance's Acceptable Use Policy,

- the APS Values,

- the Privacy Act,

- the Protective Security Policy Framework, and

- the Digital Transformation Agency's Interim Guidance for Agencies on Government use of Generative AI Platforms.

Finance systematically addresses potential biases in its AI tools by confining its use to low-risk use cases. This risk is determined by a risk assessment conducted in accordance with the Finance's Risk Management Framework. Any use case that unfairly discriminates against individuals or communities, perpetuates stereotypes, or contains demeaning representations of any groups is classified as a high-risk use case. High-risk use cases will not receive approval for implementation or use by the Finance's AI Governance Committee.

Finance is in the process of preparing its first AI Transparency Statement to uphold public trust and to make it easier for people to understand how AI is being adopted, as part of the whole of Government work being led by the Digital Transformation Agency (DTA). The AI Transparency Statement will follow DTA's direction and advice, resulting in consistent reporting across the Australian Government.

The Australian Government is also considering whole-of-economy measures to address issues of transparency and bias in AI being led by the Department of Industry, Science and Resources. From 5 September 2024 to 4 October 2024, Minister Husic publicly consulted on proposed mandatory guardrails to shape the use of AI in high-risk settings. The focus of the proposed guardrails is ensuring AI systems being developed and used by organisations in Australia, are subject to testing and accountability measures, which will mitigate the risk of bias and its impact on AI generated content. Notably, Guardrail 3 proposes organisations using high-risk AI systems identify potential dataset biases and implement bias mitigation strategies. Similarly, Guardrail 6 would require organisations to be transparent with end-users where high-risk AI is being used for decision-making and interactions with end-users.

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Question on Notice 2

Please describe current frameworks in place relating to the public sector's use of AI. Do they currently address:
a.   the risk that AI will not be used ethically or responsibly
b.   changes in the security environment brought about by AI
c.   risks to privacy, such as the disclosure of personal information
d.   bias and discrimination
e.   transparency and accountability, particularly in relation to decision-making.

Response

There are several frameworks targeted to ensuring the safe, responsible and ethical use of generative AI in a government context. These include:

- Australia's AI Ethics Principles,
- the Digital Transformation Agency's Policy for the responsible use of AI in government,
- the Digital Transformation Agency's Pilot Australian Government AI Assurance Framework,
- an agencies own Acceptable Use Policy Finance's Acceptable Use Policy,
- the APS Values,
- the Privacy Act, and
- the Protective Security Policy Framework.

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Question on Notice 3

What do you see as the major risks and benefits of AI?

Response

Finance believes AI offers significant opportunities, including for productivity and service delivery improvements. Finance applies a risk-based approach to all AI use within the department.

Finance has considered *Australia's AI Ethics Principles*, the Digital Transformation Agency's *Policy for the responsible use of AI in government*, and *Interim guidance on government use of public generative AI tools*, which provide agencies with advice on the key risks associated with AI in a government context.

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Question on Notice 4

If serious issues were to arise in relation to the use of AI, how would you respond, and how would you interact with other entities in that response?

Response

The Australian Government has established policies and processes in place to respond to cyber incidents, defective administration, fraud and privacy breaches. These include the Cyber Incident Management Arrangements for Australian Governments, Commonwealth Fraud and Corruption Control Framework, Australian Privacy Principles under the *Privacy Act 1988* and Office of the Australian Information Commissioner's Privacy guidance for organisations and government agencies. This is complemented by internal entity processes such as Finance's *Data Breach Response Plan*.

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Question on Notice 5

In their submissions, some entities have advised that they are providing their Audit and Risk Committees with specific briefings on AI usage. Some entities have also established departmental steering committees or similar mechanisms to examine their use of AI - similar to Finance's newly established AI Governance Committee.

a. Does the department have views on appropriate internal governance structures for entities' use of AI?

Response

Finance and other agencies internal governance arrangements have been informed by the Digital Transformation Agency's guidance on the Standard for Accountable officials.

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Question on Notice 6

One of the department's key activities is to 'Manage frameworks and policies that

provide advice to support the proper use and management of public resources.'
   a. How do existing legislation and frameworks, including the PGPA Act and the Commonwealth Risk Management Policy, address matters relating to AI? Do they require changes in areas such as risk management and the responsibilities of accountable authorities?

Response

Existing frameworks and policies are designed to ensure appropriate governance, performance and accountability in decision-making, regardless of the technology or choice of operational tools.

The Australian Government is taking a coordinated approach to understand and manage the risks posed by AI in a connected whole-of-government manner. This work includes, but is not limited to:
   - establishing an Artificial Intelligence Expert Group to provide advice to the Department of Industry, Science and Resources on implementation of the interim response to the safe and responsible AI consultation,
   - consulting on the Government's *Proposals Paper for Introducing Mandatory Guardrails for AI in High-Risk Settings*,
   - releasing a new Voluntary AI Safety Standard providing practical guidance for businesses where the use of AI is high risk,
   - developing a nationally consistent approach to the safe and ethical use of AI by Commonwealth, state and territory governments with the National framework for the assurance of AI in government, endorsed by Data and Digital Ministers in June 2024,
   - developing mandatory policies and guidance on AI use within Government,

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- piloting the Digital Transformation Agency's AI Assurance Framework across the Commonwealth,
- establishing cross-government committees and working groups on AI use within Government and across the broader Australian economy to assess and address the risks associated with AI,
- agreeing to strengthen and clarify existing laws for the safe and responsible use of AI, including prioritising reforms to the Privacy Act, Corporations Act and Health regulations, and
- implementing the Cyber Security Strategy and providing national security advice on the risks of AI, including on foreign interference.

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Question on Notice 7

Finance's submission refers to its engagement in the 'AI for integration and inclusion initiative'.
   a. Please provide more information on this initiative

Response

The AI for integration and inclusion project, funded as part of Round 2 of The Australian Public Service Capability Reinvestment Fund, is a cross-agency project involving:

- Department of the Prime Minister and Cabinet
- Department of Defence
- Department of Finance
- Department of Home Affairs
- Department of Health and Aged Care
- Department of Social Services
- Department of Industry, Science and Resources (DISR)
- Department of Employment and Workplace Relations
- Office of National Intelligence
- Digital Transformation Agency
- Australian Public Service Commission
- Australian Bureau of Statistics

It will be delivering two integrated capabilities in 2024/25:

- Co-design and testing of AI-powered tools to enhance policy development, inclusive design, and community engagement across the Australian Public Service.

- Build foundational knowledge in using data and AI effectively, including for policy analysis and evaluation through e-learning and related resources.

Further questions on the AI for integration and inclusion project should be directed to DISR, the lead agency for this project.

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Question on Notice 8

Finance advised in its response to the 14 AI questions that 113 use cases for generative AI were submitted to its internal working group on generative AI established in July 2023, of which six were approved to be trialled in a 'summer sprint'.
   a. What criteria were the use cases assessed against?
   b. Does Finance have a view on whether a similar approach would work elsewhere in the public service?

Response

In 2023, Finance assessed each use case against 5 risk-based criteria to ensure their safe and responsible implementation. These criteria are:

- accountability,
- transparency and explainability,
- privacy protection and security,
- fairness and human-centred values, and
- human, societal, and environmental wellbeing.

Finance understands that other agencies are also exploring AI technology within their agencies. From September to November 2024, Finance and other agencies participated in the Digital Transformation Agency's pilot of the Australian Government AI Assurance Framework. The objective of this pilot was to gather feedback from participants on the practicality of the draft framework, including methodologies for assessing use cases. Finance's approach is consistent with the framework, which provides valuable guidance for agencies adopting AI technology within their agencies.

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Question on Notice 9

Are any additional mechanisms required to safeguard public service entities against fraud (internal and external) enabled by AI?

Response

Questions regarding policies for safeguarding the public service against fraud are best directed to the Attorney-General's Department and the Department of Home Affairs.